

VZCZCXRO3352
RR RUEHMRE RUEHSR
DE RUEHFR #1085/01 1581642
ZNR UUUUU ZZH
R 061642Z JUN 08
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 3279
RUEHRC/USDA FAS WASHDC
INFO RUEHXQ/ALL EUROPEAN UNION POST
RUEHMRE/AMCONSUL MARSEILLE 2013
RUEHSR/AMCONSUL STRASBOURG 0583
RUEHGV/USMISSION GENEVA 2912
RUEHBS/AMEMBASSY BRUSSELS 6733

UNCLAS SECTION 01 OF 02 PARIS 001085

SIPDIS

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E.O. 12958: N/A

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SUBJECT: FRENCH EU PRESIDENCY: AGRICULTURAL POLICY GOALS

¶1. Summary: France hopes to have the CAP health check reforms passed during its EU presidency and will initiate discussions on a post 2013 CAP policy and budget. The GOF's three main objectives will be to maintain EU food sovereignty; maintain the economic and territorial health of EU agriculture; and, include societal preferences in farm policy. These are to be achieved in the context of a principle of "European Preference" based on quality standards rather than consumer choice, with implicit preferential treatment of EU products, or at least products produced by EU production methods and standards. France understands fully that this approach is not consistent with the current rules based trading system and its reliance on SPS, health and safety regulations and market outcomes. However, the GOF believes that a system of European quality standards is essential to protecting the traditions and preferences of European producers and consumers from homogeneous low-cost agro industry. France also calculates that this posture enjoys broad and deep support among the EU's citizens across national boundaries. End summary.

French EU-Presidency and the CAP Reform

¶2. France will hold the rotating Presidency of the European Union from July 1st to December 31, 2008 which coincides with the European Union's review of the 2003 Common Agricultural Policy (CAP). Slovenia will initiate the discussions in the coming weeks on EU Commission (EC) proposals for the review announced on May 22. French Ag Minister Barnier has been actively lobbying other EU Agriculture Ministers to keep a "strong and comprehensive" EU farm policy despite growing criticism of high farm payments during this period of elevated food prices.

¶3. France hopes to have reforms successfully adopted by the European Council before the end of December 2008. Further delay would mean the reforms would require European Parliamentary approval under the Lisbon treaty expected to be applicable beginning January 1, 2009. This co-decision process would further postpone reform as the European parliament's legislative session will end in the spring pending elections in June 2009.

¶4. France supports the Commission's proposals for sanitary and climatic risk management policies, such as private/public funds for industry losses following animal health or natural disasters. Minister Barnier praised the Commission proposals allowing Member States to maintain "coupled" support for some endangered sectors on a case by case basis and to fund quality and environmental programs.

While France had hoped for inclusion of crop and revenue insurance programs it questioned the WTO compatibility of co-financing insurance premiums as suggested by the Commission.

¶15. France remains cautious about dismantling the milk quota system fearing that it may destabilize the EU milk market and endanger milk sector production in mountainous and fragile areas. France opposes full decoupling of arable crop payments, including minor crops. This issue, together with the proposed elimination of intervention, will likely be the most difficult to settle during the French Presidency. France believes it has the support of a majority of EU member states, especially new Member States such as Hungary and Romania.

CAP Reform beyond 2013

¶16. In February 2008 President Sarkozy announced that France hopes that the main objectives of the future CAP could be defined during its presidency so that the tools, policies and funding could be discussed by the EU Commission and the EU Parliament during 2010-2012 for application in 2013.

¶17. France has three major objectives for the future CAP: 1) maintain EU food sovereignty and independence; 2) maintain the economic and territorial health of EU agriculture, and; 3) include the collective (i.e. social and environmental) choices of the EU consumers in farm policy.

¶18. In order to achieve these goals, France is relying on the European Preference (EP) principle (i.e. the principle that EU products should receive preferential treatment compared to imported

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goods, or at least, not be put at a disadvantage). This includes both tariffs and non-tariff measures. While EC Ag Commissioner Fischer-Boel cautioned that this French overture could be protectionist, French policymakers believe that the EP principle would provide for more "fair" trade.

¶19. The French see restrictive border measures as necessary to compensate for the reduced competitiveness of EU farm goods due to internal policies and norms, which are acknowledged to be "societal choices" rather than sanitary protection (e.g. higher environmental, animal welfare and social standards). Stricter non-tariff measures would subject imported goods to the same EU requirements as domestic producers. Should the EP be implemented, France and the EU would arguably justify trade restrictive measures on the basis of societal concerns, irrespective of scientific evidence. Moreover, the French believe that government should identify and act upon these societal concerns rather than leaving food trade open to global market forces.

¶10. While the French clearly intend to adopt food standards taking into account factors beyond health and safety, officials have not provided specific commodity applications or defined how societal concerns would be taken into account.

¶11. Nevertheless, France has already signaled its intention to place significant weight upon societal acceptance (versus scientific evaluation) in considering approval for Genetically-Engineered (GE) products and is now seeking to export this decision-making process to the EU level. The link between the idea of adopting standards based on "societal preference" rather than a rules-based trading system is apparent as well in the current French opposition to Pathogen Reduction Treatments (PRTs) for poultry. The French proffer that they can reject production methods which don't meet European ideals of food quality and diversity; that "quality" is more important to Europeans than just low prices. One could hypothesize that in the future the EU could ban the importation of eggs produced by hens in small cages if such cages are banned in the EU for animal welfare reasons.

¶12. While French policy makers acknowledge that any new measures should be within the WTO framework, they believe that Article 20 of the SPS agreement allows environmental (and maybe societal) elements to justify non-tariff barriers. France believes that at least 10

member states support its position, and others are likely to approve a French proposal. Ideally, France would like to have societal concerns also included in the WTO framework so that restrictive EU import policies become WTO compatible. French representations at the WTO and other international organizations are likely to push for legitimization of non-traditional concerns in the determination of market access.

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